



STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT

December 11, 2007

Anthony (Tony) M. Palmer
Vice-President Alaska Development
TransCanada PipeLines Limited
450 – 1st Street S.W.
Calgary, AB, T2P 5H1
Canada

Dear Mr. Palmer:

The Commissioners of Revenue and Natural Resources of the State of Alaska have received the Application filed on November 30, 2007, by the TransCanada Alaska Company, LLC ("TC Alaska") and Foothills Pipe Lines Ltd. (jointly, "Co-Applicants") in response to the Request for Applications ("RFA") for a license under the Alaska Gasline Inducements Act ("AGIA").

Under AS 43.90.140(b) and Section 1.13.10 of the RFA, the Commissioners request that Co-Applicants provide the additional clarifying information addressed in the attachment to this letter.

Co-Applicants must submit the additional clarifying information, in writing and signed by an official with authority to bind the Co-Applicants, at the address below by 2:00 PM AST on December 18, 2007.

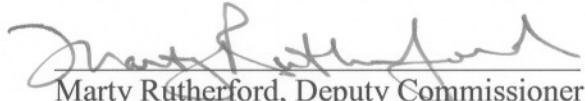
Paper copies must be submitted to:
AGIA License Office
State of Alaska, Dept of Revenue
550 West 7th Ave. Suite 1820
Anchorage, AK 99501

E-mails or Fax copies must be submitted to:
Mr. Chris Rutz
E-mail: crutz@aidea.org
Facsimile: 907-771-3930

AGIA License Office 550 West 7th Avenue, Suite 1820 Anchorage, Alaska 99501

Information submitted by e-mail or facsimile must be followed with a paper copy mailed or delivered to the address above. We recommend that you contact Mr. Chris Rutz at 907-771-3015, to confirm timely receipt of the information or if you have other questions concerning delivery of the requested information.

Sincerely,

A handwritten signature in dark ink, appearing to read "Marty Rutherford", is written over a horizontal line.

Marty Rutherford, Deputy Commissioner
Alaska Department of Natural Resources

Request for Additional Clarifying Information AS 43.90.140(b)

Confidentiality:

Co-Applicants may request that Proprietary or Trade Secret information submitted in response to this request for additional information be kept confidential. As set out in RFA Section 1.13.6, Co-Applicants must mark each page containing information that they request to be kept confidential, include a copy of the page with the Proprietary or Trade Secret information redacted, and provide a brief non-confidential summary for each section for which the Co-Applicants seek confidentiality (AS 43.90.160).

Requests:

1. In accordance with RFA Sections 2.8.1 and 2.8.2, please clarify what TransCanada Corporation ("TransCanada") is committing to provide to the Co-Applicants with regard to the financial, technical and other resources necessary to fulfill the commitments made by the Co-Applicants in the Application.
2. With regard to available downstream capacity, does your reference to "existing gas infrastructure" in Alberta (p. 2.2-56) include direct deliveries from the project into pipelines that are not affiliated with TransCanada?
3. On pages 2.2-66 and 2.2-71 of the Application, with regard to the referenced 2 percent downward adjustment to return on equity ("ROE") if costs exceed a particular level:
 - a. To what estimated cost level is the 2 percent adjustment tied?
 - b. When will that cost level be finally determined?
4. With regard to interruptible transportation ("IT") and authorized overrun service ("AOS"), please clarify:

- a. Whether the Co-Applicants intend to offer IT and AOS to delivery points in Alaska, and to delivery points outside of Alaska,
 - b. Whether the Co-Applicants will credit revenue from those services to firm transportation shippers, and
 - c. What the rate design will be for those services.
5. With regard to other Alaska transportation services, and the commitment to in-state services as discussed in Section 2.2.3.9 of the RFA:
- a. Will TC Alaska offer small customer rates, such as one-part volumetric “demand” rates, for deliveries to customers in Alaska?
 - b. Will TC Alaska offer requirements contracts for customers in Alaska, including the ability to vary rates on an uneven hourly basis?
 - c. If the answer to the question in subpart (b) is yes, how will TC Alaska structure the rates for such service?
 - d. What will be the daily volumetric limit, if any, for small customer services, including volumetric rates and requirements contracts, for deliveries to customers in Alaska?
 - e. Will the Co-Applicants offer backhaul services from Canadian points to Alaska?
 - f. If so, how will Co-Applicants structure rates for backhaul services?
 - g. Please clarify the terms and cost treatment for the initial five interconnections in Alaska.
6. On page 2.2-71, TransCanada commits that the state reimbursement will not be included in the project rate base for the purpose of determining rates. Please clarify whether

TransCanada intended to commit to a *pro rata* reduction between debt and equity rate base, or whether TransCanada intends to deduct the state reimbursement from rate base in some other manner.

7. With regard to RFA Section 2.5, please provide, if possible, a breakdown of the cost estimate for each subproject in your proposal as follows:

- a. Development Phase:
 - i. Owner costs
 - ii. Regulatory/permitting - including legal
 - iii. FEED
 - iv. Project management
 - v. Other
- b. Execution Phase (breakdown by pipeline, compression, gas cooling, GTP)
 - i. Owner costs
 - ii. EPCM
 - iii. Major equipment and materials - line pipe, compression, gas cooling, power generation, gas treatment, etc.
 - iv. Other materials
 - v. ROW/land acquisition
 - vi. Other - survey, inspection, etc.
 - vii. Installation - including installation-related environmental
 - viii. Commissioning